

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-14 EUR-12 EA-12 IO-14 ISO-00

AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 FRB-01

H-02 INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05

PA-02 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00

ICA-20 SP-02 SOE-02 OMB-01 DOE-15 JUSE-00 /172 W

-----018042 220933Z /14

R 220836Z JUN 78

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7397

INFO ALL EC CAPITALS

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CANBERRA

AMEMBASSY MOSCOW

AMEMBASSY OTTAWA

AMEMBASSY PRETORIA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

USMISSION GENEVA

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PASS ELECTRONICALLY USDA FOR ASST SEC HATHAWAY AND STR  
FOR AMB WOLFF

USEEC ALSO FOR EMBASSY

USMTN

E.O. 11652:N/A

TAGS: EAGR, ETRD, OCON

SUBJECT: GRAIN NEGOTIATIONS - INTERIM MEETING -

FINANCING RESERVE STOCKS FOR DEVELOPING COUNTRIES

1. MR. AHMED (BANGLADESH) CHAIRED AN AFTERNOON MEETING

JUNE 16 OF DEVELOPED COUNTRY DELEGATIONS TO DISCUSS

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POSITIONS ON SPECIAL FINANCING PROVISIONS FOR DEVELOPING  
MEMBERS. THESE PROVISIONS INCLUDE MEANS TO FINANCE RE-  
SERVE STOCKS FOR DEVELOPING MEMBERS. THE CHAIRMAN RE-  
VIEWED DEVELOPING COUNTRY PROPOSALS FOR ASSISTANCE IN:

- A. STOCK ACQUISITION;
- B. DEVELOPMENT OF ADEQUATE STORAGE; AND
- C. ANNUAL HOLDING/CARRYING CHARGES.

ALTHOUGH THE UNCERTAINTIES AND LIMITATIONS OF EXISTING FINANCIAL SOURCES (I.E., IMF, IBRD, ETC.) WERE NOTED, FINANCIAL REQUIREMENTS FOR STOCK ACQUISITION, AND FACILITIES WERE NOT CONSIDERED MAJOR OBSTACLES BY THE CHAIRMAN. AS A RESULT, MOST OF THE DISCUSSION CENTERED ON THE CHAIRMAN'S DIRECT QUESTION "WILL THE DEVELOPED COUNTRIES SUPPORT THE CREATION OF A FUND TO COVER DEVELOPING COUNTRIES' ANNUAL STORING AND HANDLING COSTS?" THE U.S. DELEGATE (MORROW) STATED THE U.S. CANNOT SUPPORT SUCH A FUND, AND STRESSED EXPLORATION OF EXPANDED ACCESS TO EXISTING FINANCIAL FACILITIES FOR DEVELOPING MEMBERS. CANADA AND SWITZERLAND SUPPORTED THE PRINCIPLE OF A SPECIAL FUND, BUT NO DELEGATION WAS WILLING TO DISCUSS THE ACTUAL CREATION OF THE FUND. U.S., CANADIAN AND AUSTRALIAN DELEGATIONS OPPOSED WHEAT TRADE LEVIES SIMILAR TO SUGAR AGREEMENT TO GENERATE RESOURCES FOR THE PROPOSED FUND.

2. DELEGATIONS EXPRESSED THE NEED TO DETERMINE THE SCOPE OF THE PROBLEM, I.E., RESERVE COMMITMENTS AND STORAGE COST, BEFORE COMMITTING ADDITIONAL RESOURCES FOR A NEW FINANCIAL FACILITY. U.S. DELEGATE STRESSED THE BENEFITS TO DEVELOPING COUNTRIES FROM MODERATING PRICE FLUCTUATIONS THROUGH AN ADEQUATE RESERVE STOCK, AND SUGGESTED FOOD AID AS A POSSIBLE SOURCE OF STOCK ACQUISITION. CHAIRMAN NOTED THIS COMMENT AS AN "INTERESTING UNCLASSIFIED

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PROPOSAL".

3. THE CONSENSUS OF THIS SESSION SUGGESTED:
- A. NO NEW FINANCIAL FACILITY SHOULD BE CREATED UNDER A NEW AGREEMENT;
  - B. THE MAGNITUDE OF THE PROBLEM IS NOT CLEARLY DEFINED;
  - C. EXISTING INSTITUTIONS AND FACILITIES - BOTH BILATERAL AND MULTILATERAL - SHOULD BE EXPLOITED BEFORE DEVELOPMENT OF ANY NEW FACILITIES.

BREWSTER

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## Message Attributes

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